

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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# MULTIMEDIA UNIVERSITY

## FINAL EXAMINATION

TRIMESTER 3, 2017/2018

**PBF0014 – INTRODUCTION TO PERSONAL FINANCE**  
(Foundation in Business)

1 JUNE 2018  
9.00 a.m – 11.00 a.m  
(2 Hours)

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### INSTRUCTIONS TO STUDENT

1. This question paper consists of **TWO** pages with **FOUR** questions only.
2. Answer **ALL** questions.
3. Write your answers in the Answer Booklet.

**ESSAYS [100 MARKS]**

**Instructions:** Answer ALL questions. Write your answers in the Answer Booklet.

**QUESTION 1**

- a) Describe the main differences between shorter term loan and longer term loan. (4 marks)
- b) According to the debt resolution rule, what is the time frame for repayment of short-term debt? What types of borrowing are not considered in the debt resolution rule? (4 marks)
- c) What methods are used to calculate the interest on a single-payment loan? Which method is preferable to the consumer? (4 marks)
- d) Describe **THREE** drawbacks of credit card. (3 marks)
- e) In determining what makes an individual creditworthy, most lenders refer to the “five Cs” of credit. List and Explain the “five Cs” of credit. (10 marks)

**(Total 25 marks)**

**QUESTION 2**

- a) State **TWO** advantages and **TWO** disadvantages of owning a new vehicle. (4 marks)
- b) The price of a new brand car is RM100,000. A minimum down payment of 10% was made and the hire purchase’s interest rate is 4% per annum (flat rate). The amount of hire purchase loan is RM90,000 and the loan tenure is 7 years. Calculate the monthly installment that must be paid after considering the interest based on add-on method. (10 marks)
- c) In determining how much we can afford to buy a house, there are three types of cost that we should consider. Give **TWO** examples for each type of costs.
  - i. One-time Costs
  - ii. Recurring Costs
  - iii. Maintenance and Operating Costs.(3 marks)
- d) Briefly explain the **FOUR** steps involved in smart buying process when attempting to purchase a house. (8 marks)

**(Total 25 marks)**

**Continued...**

**QUESTION 3**

a) In risk management, there are **THREE** ways that we can deal with risk. List and explain the ways. (6 marks)

b) What is the purpose of insurance? Explain the difference between health and life insurance. (4 marks)

c) You have been given an overview of stocks and bonds. Explain each of these. Give **ONE** advantage and **ONE** disadvantage of investing in each of these. (6 marks)

d) List and explain the **THREE** factors that should be considered in making asset allocation decision. (9 marks)

**(Total 25 marks)**

**QUESTION 4**

a) "Pay yourself first" and "start early" are fundamental strategies when planning for retirement.

- Discuss what you understand with "Pay yourself first". (3 marks)
- Give **THREE** benefits of "start early" when planning for retirement. (3 marks)

b) Briefly explain the following documents when preparing for estate planning.

- Wills (5 marks)
- Durable power attorney (2 marks)
- Durable health care power of attorney (2 marks)

c) You always hear people saying "Live below your means". Discuss and give **THREE** examples. (5 marks)

d) List **FIVE** tips on how to avoid financial trouble. (5 marks)

**(Total 25 marks)**

**End of paper**